

REMARKS/ARGUMENTS

Examiner Akers is thanked for the courteously conducted interview of April 18, 2003 and the subsequent telephone interview of May 19, 2003. This proposed amendment is provided in response to the first office action (non-final) of February 26, 2003. Claims 2, 12, 55 and 66-67 have been cancelled without disclaimer or prejudice to their underlying subject matters and claims 1, 3, 11, 13-23, 31- 33, 42-43, 52, 56, 65, and 86-87 have been amended. Accordingly, claims 1, 3-11, 13-54, 56-65, and 68-99 remain pending in this application. In view of the above amendments and the following remarks, reconsideration of the outstanding rejections is respectfully requested.

Claims 1-99 were rejected under 103(a) as being unpatentable over Burgess in view of National Underwriter and further in view of CA Magazine.

The present invention relates to a system and method that is designed to collect data from the potential insured, analyze the collected data to determine underwriting information, compare the underwriting criteria of multiple life insurance carriers and annuity carriers, apply for life insurance policies and annuity policies, supervise the cash flows to purchase the policies, supervise the issuance of the multiple policies, and obtain death benefit payments and allocate those payments among the owners of the deal.

A benefit of the present invention is that it minimizes the tax liability of the individual insured in that the annuity income is either held within the insurance policy or inside a trust so that it's income is non-taxable. Moreover, the death benefit is not subject to the estate tax, which is in turn used to pay off any loan amount. As a means for estate – planning, therefore, the present invention offers significant tax advantages.

The prior art of record, however, whether considered alone or in combination fails to teach or suggest the present invention as claimed.

Burgess relates to a method for leveraging whole or universal life insurance for key employees by having the employer borrow money in installments in order to partly cover the insurance premiums on a policy owned by the employee. The employee is required to pay part of the premium or they can borrow against the policy for tax free retirement income.

By contrast, the present invention relies on the use of an annuity as the primary vehicle for payment of the premiums of a life insurance policy. Moreover the present invention uses a loan for the purpose of purchasing selected annuities, not for direct payment of the premium. In addition, Burgess does not teach or suggest the use of a trust, or a tax-favored taxpayer entity as a vehicle for reducing/removing individual tax liability. Furthermore, Burgess is restricted to cases where insurance policies are obtained within the confines of a company that purchases key-man policies for its employees. The present invention on the other hand is open to individuals who are interested in investing in the annuity/tax/loan system and method. There is no requirement for employer-purchased policies, although the possibility of an employer policy is not precluded.

Burgess stands combined with the National Underwriter Magazine articles ("National Underwriter") since the latter teaches funding the combination of life insurance contract and annuities. Specifically, National Underwriter discusses a scenario where non-qualified tax-deferred contracts in fixed and variable forms are owned by an irrevocable trust where the beneficiary is the heir to the holder of the annuity. However, as correctly noted in the office action, there is no teaching or suggestion of the use of a loan funding the purchase of an annuity in order to employ the income stream generated by the annuity to pay off both the insurance premiums and the payments on the loan.

There also is no suggestion in either Burgess or National Underwriter indicating that there is a motivation to combine these two teachings. As indicated in the MPEP (Section 2143.01) there are three possible sources for a motivation to combine references: the nature of the problem to be solved, the teachings of the prior art, and the knowledge of persons of ordinary skill in the art. The level of skill in the art cannot be relied upon solely to provide the suggestion to combine references. Obviousness can only be established by

combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either explicitly or implicitly in the references themselves or in the knowledge generally available to one of ordinary skill in the art. The test for an implicit showing is what the combined teachings, knowledge of one of ordinary skill in the art, and the nature of the problem to be solved as a whole would have suggested to those of ordinary skill in the art. See *In re Kotzab*, 217 F.3d 1365, 1370, 55 USPQ2d 1313, 1317 (Fed. Cir. 2000). A brief discussion of the *Kotzab* case would be illustrative of the deficiencies of the combination relied upon in the first Office Action.

The *In re Kotzab* claims were drawn to an injection molding method using a single temperature sensor to control a plurality of flow control valves. The primary reference disclosed a multizone device having multiple sensors, each of which controlled an associated flow control valve, and also taught that one system may be used to control a number of valves. The court found that there was insufficient evidence to show that one *system* was the same as one *sensor*. While the control of multiple valves by a single sensor rather than by multiple sensors was a "technologically simple concept," there was no finding "as to the specific understanding or principle within the knowledge of the skilled artisan" that would have provided the motivation to use a single sensor as the system to control more than one valve. 217 F.3d at 1371, 55 USPQ2d at 1318.

Likewise, Burgess teaches using loans to an employer to fund key man life insurance for employees, and the National Underwriter articles show that annuities can be used to pay for life insurance premiums, but there is no evidence to support the conclusion that *one system* for combining loans with annuities and with life insurance policies was taught or suggested. Similarly there does not appear to be at the time the invention was made any specific understanding or principle in either the Burgess or the National Underwriter teachings to indicate the motivation to combine these three elements into a comprehensive method and system was known or was within the level of skill in the art.

Even if it could be assumed that there is a motivation to combine Burgess and National Underwriter, the combination still does not teach or suggest all of the elements of the invention as provided in the amended claims.

For example in Claim 1 there is no teaching in either Burgess or National Underwriter of borrowing money “from at least one of a plurality of lenders,” “coordinating data for said plurality of lenders and for a plurality of insurance companies” or “purchasing an annuity and a life insurance policy using said borrowed money, wherein said life insurance policy has a money market, general and mortality expense accounts.” Finally there is no teaching or suggestion for “managing investment growth within at least one investment trust according to a trust instrument in order that said life insurance policy is managed through said investment trust and is non-income taxable.” The remaining claims also recite similar limitation as described in claim 1, and are thus also patentably distinguishable over Burgess and National Underwriter for the same reasons discussed above.

In the instant Office Action, Burgess and National Underwriter were further combined with the CA Magazine article (Vol. 132, #9) the latter of which teaches an annuity with a life insurance contract as well as analyzing companies for financial and investment offerings. Specifically, the CA magazine article discloses the purchase of a life annuity or insured annuity in order to supplement retirement income and increase the after-tax return.

Again, the main elements of the invention, as claimed are missing from these references. All CA Magazine offers to the Burgess National Underwriter combination is the notion that the annuity/life insurance policy can deploy self-directed investment choices, including equity-linked investments. The instant claims, on the other hand, describe a comprehensive management system/method for coordinating and managing and loan, annuity and insurance policy combination combined with a tax-favored entity for reducing income tax and estate tax liability.

Claims 1-99 stand further rejected under 35 USC Section 112, second paragraph for failing to particularly point out and distinctly claim the subject matter which the applicant regards as his invention. In view of the proposed amendments to the claims, the claimed scope has been sufficiently changed to adequately define the instant invention.

As a final matter; two references that were previously provided in Applicant's Statement of Pre-Examination Search accompanying Applicant's Petition to Make Special, Cooperstein, US Patent No. 5, 893, 071 and "Pay Life Insurance or Long Term Care Premiums with an Immediate Annuity" (GE Financial Network; www.gefn.com) were not cited in the PTOL 1449 or in the PTOL 892 accompanying the first Office Action. Applicant requests that the Examiner list both references. A courtesy copy of each previously supplied reference along with a PTOL-1449 is enclosed herewith for the Examiner's convenience.

In a follow-up teleconference with the Examiner, U.S. Patent No. 5,819,230 to Christie et al. ("Christie") was cited, but not applied. Christie, however, does not anticipate or render obvious the claims of the present invention. Christie involves a computer system for administering a mortgage and life insurance program whereby the funds normally used as a home down payment are used instead to purchase a life insurance policy. At best, therefore, all Christie shows is using a loan to purchase life insurance. Christie fails to teach or suggest combining a conventional loan, an annuity whereby the annuity is used to purchase life insurance, and the loan is used to fund the annuity. There also is no teaching or suggestion of a system which coordinates the borrowing, purchasing and paying transactions across multiple loans, annuities and life insurance policies. Finally, the combination of Christie with the prior art of record does not provide any of the missing features previously discussed in these remarks. Christie, at best, is merely cumulative of the already applied prior art.

Additionally, several patents invented by Roberts, 4,642,768, 4,722,055 or Roberts et al. (U.S. Patent Nos. 4,832,804, and 4,752,877) were cited. However, each Roberts patent discloses a method and apparatus that funds a certain future liability of uncertain value through the use of zero coupon note obligations. The types of notes or

Application No.: 09/986,670

Docket No.: K2475.0001/P001
(PATENT)

how they are reinvested varies. There is no teaching or suggestion in Roberts however of using a loan or an annuity to purchase and administer the cost of a life insurance policy.

Accordingly, the present invention is clearly distinguishable over Christie et al., Roberts or the Roberts et al. patents, whether considered alone or in combination.

In view of the above proposed amendment, and for at least the reasons presented during the May 19, 2003 telephonic interview, each of the presently pending claims in this application is believed to be in immediate condition for allowance. Accordingly, the Examiner is respectfully requested to pass this application to issue.

Dated: June 20, 2003

Respectfully submitted,

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Version With Markings to Show Changes Made

1. (Currently Amended) A method of managing combined combined life insurance and annuities within a computer system for a plurality of accounts, comprising the steps of:

borrowing money from at least one of a plurality of lenders;
coordinating data of said plurality of lenders and a plurality of insurance companies;
purchasing at least one an annuity and at least one a life insurance policy using said
borrowed money; wherein said at least one life insurance policy has a money market,
general and mortality expense accounts;

receiving periodic income from said at least one annuity;
paying premiums for said at least one life insurance policy using income from said
at least one annuity;

making payments on said borrowed money using income from said at least one
annuityannuities;

maintaining inside build-up within said life at least one insurance policy using said
computer system;

periodically determining an amount to be credited from said at least one annuity
to each life insurance policy's money market, general, and mortality and expense
accounts;

triggering the electronic crediting of said accounts, through a computer system
which, on a periodic basis, credits said life insurance policy accounts;

managing investment growth within at least one investment trust according to a
trust instrument in order that said life insurance policy build-up is managed through said
investment trust and is non-income taxable.

Please cancel claim 2 without disclaimer or prejudice to its underlying subject matter.

3. (Currently Amended) The method of claim 12, wherein said method further comprises the steps of computer system is responsible for:

determining ~~the~~ an amount to be credited to the lender for each of said plurality of loans;

determining the amount positive or negative loan amortization to be added or subtracted from each of said plurality of loans;

testing if ~~the~~ any of said plurality of loans is in default; and

determining, at the death of the insured, the amounts to be paid to said lenders.

Please cancel claim 9 without disclaimer or prejudice to its underlying subject matter.

11. (Currently Amended) ~~A method of managing combined life insurance and annuities within a~~ A computer system for managing a plurality of accounts, comprising the steps of :

borrowing means for borrowing money from at least one of a plurality of lenders;
coordinating means for coordinating data for said plurality of lenders with data from a plurality of insurance companies;

purchasing means for purchasing an annuity and a life insurance policy using said borrowed money,; wherein said life insurance policy has a money market, general, and an expense account;

receiving means for receiving periodic income from each annuity;

payment means for paying premiums for said life insurance policy using income from said annuities and making payments on said borrowed money using income from said annuities and maintaining inside build-up within said life insurance policy using said computer system;

determining means for periodically determining the amount to be credited from each annuity to each life insurance policy's money market, general, and mortality and

expense accounts;

crediting means for triggering the electronic crediting of said accounts through a computer system which, on a periodic basis, credits said life insurance accounts; and

managing means for managing investment growth within at least one investment trust according to a trust instrument in order that said life insurance policy build-up is managed through said investment trust and is non-income taxable, using said computer system in accordance with a trust instrument.

Please cancel claim 12 without disclaimer or prejudice to its underlying subject matter.

13. (Currently Amended) The ~~method~~ computer system of claim 11 ~~12~~, wherein said determining means ~~computer system~~ is further comprises ~~responsible for~~:
determining the amount to be credited to the lender for each loan;
determining the amount of positive or negative loan amortization to be added or subtracted from each of said loans;
testing if the loan is in default; and
determining, at the death of the insured, the amounts to be paid to said lenders.

14. (Currently Amended) ~~The computer system method~~ of claim 11 wherein ~~the~~ a beneficiary of said life insurance policy is a charitable institution.

15. (Currently Amended) ~~The computer system method~~ of claim 11, wherein said borrowing means borrowed money ~~is borrowed~~ under non-recourse terms.

16. (Currently Amended) The computer system ~~method~~ of claim 11, wherein said borrowing means ~~a borrower~~ guarantees repayment of at least part of said borrowed money.

17. (Currently Amended) ~~The computer system method~~ of claim 11, wherein said ~~purchasing means purchases annuity~~ is a life-only annuity.

18. (Currently Amended) ~~The computer system method~~ of claim 11, wherein said ~~purchasing means purchases annuity~~ is a 5-year certain annuity.

19. (Currently Amended) ~~The computer system method~~ of claim 11, wherein said annuity, loan, and life insurance policies ~~further~~comprise at least one of a plurality of annuities, loans, and policies.

20. (Currently Amended) ~~The computer system method~~ of claim 19, ~~further comprising a tracking means~~ wherein each of said annuities and loans are tracked to a particular one of said policies.

21. (Currently Amended) A method ~~for~~ of combining life insurance and annuities using a computer system, comprising the steps of:

borrowing money;
purchasing an annuity and a life insurance policy using said borrowed money;
paying premiums for said life insurance policy using income from said annuities;
making periodic payments on said borrowed money using income from said annuities;

establishing a life insurance company having an investment trust subsidiary, said subsidiary having at least one investment trust; and

managing investment growth within said at least one investment trust using said computer system according to a ~~an~~ trust instrument in order that said life insurance policy build-up is managed through said investment trust and is non-income taxable.

22. (Currently Amended) The method of claim 21, wherein said computer system performs the steps of ~~is further responsible for~~:

coordinating said life insurance ~~management~~ company's data with a plurality of

lenders and insurance companies;

receiving periodic income from each annuity;
periodically determining the amount to be credited from each annuity to each life insurance policy's money market, general, and mortality and expense accounts; and
triggering the electronic crediting of said accounts.

23. (Currently Amended) The method of claim 22, comprising the steps of:
~~wherein said computer system is further responsible~~
determining the amount to be credited to the lender for each loan;
determining the amount positive or negative loan amortization to be added or subtracted from each of said loans;
testing if the loan is in default; and
determining, at the death of the insured, the amounts to be paid to said lenders.

31. (Currently Amended) A method of combining life insurance and annuities using a computer system, comprising the steps of:
borrowing money;
purchasing an annuity and a life insurance policy using said borrowed money;
paying premiums for said life insurance policy using income from said annuities;
paying payments on said loan using income from said annuities;
establishing tax-favored entities including a partnership, a trust, or and a
management company;
paying fees to a management company to manage said computer system, wherein said computer system is responsible for:
sending a balance of cash flow and tax reporting to said partnership;
paying proceeds to the members of said partnership based on a partnership agreement; and
passing the tax consequences onto a tax-favored taxpayer in accordance with a trust instrument in order that the tax liability is reduced based upon the tax favored treatments afforded to the tax favored taxpayer.

32. (Currently Amended) The method of claim 31, ~~wherein said computer system~~
~~is further comprising the steps of for:~~

coordinating said management company's data with a plurality of lenders and
insurance companies;

receiving periodic income from each annuity;

periodically determining the amount to be credited from each annuity to each life
insurance policy's money market, general, and mortality and expense accounts; and

triggering the electronic crediting of said accounts through a computer system
which, on a periodic basis, credits said life insurance policy accounts through a computer
system which, on a periodic basis, credits said life insurance policy accounts.;

33. (Currently Amended) The method of claim 32, further comprising the steps of
~~wherein said computer system is:~~

determining the amount to be credited to the lender for each loan;

determining the amount positive or negative loan amortization to be added or
subtracted from each of said loans;

testing if the loan is in default; and

determining, at the death of the insured, the amounts to be paid to said lenders.

42. (Currently Amended) A method for combining life insurance and annuities
using a computer system, comprising the steps of:

borrowing money;

purchasing an annuity and a life insurance policy using said borrowed money;

paying premiums for said life insurance policy using income from said annuities;

paying payments on said loan using income from said annuities;

establishing a partnership and a management company;

paying fees to a management company to manage said computer system, wherein
said computer system is responsible for:

sending a balance of cash flow and tax reporting to said partnership;

paying proceeds/profits to an investment trust; and
paying the beneficiaries of said trust in the form of a dividend in accordance with a trust instrument whereby tax liability is reduced based upon the tax favored treatments afforded to said trust instrument.

43. (Currently Amended) The method of claim 42, further comprising the steps of: wherein said computer system is

coordinating said management company's data with a plurality of lenders and insurance companies;

receiving periodic income from each annuity;

periodically determining the amount to be credited from each annuity to each life insurance policy's money market, general, and mortality and expense accounts; and

triggering the electronic crediting of said accounts; through a computer system which, on a periodic basis, credits said life insurance policy accounts.

52. (Currently Amended) A computer system combining life insurance and annuities, comprising:

a ~~main~~ computer system having a multithreaded operating system;

a software application, connected to and continuously updating a database application, and independently teleconnected with a plurality of business entities for carrying out the specific provisions of a trust instrument; wherein said plurality of business entities further comprise life insurance companies, annuity companies, commercial lenders, investors, and clients, which are interconnected in a financial trust arrangement in which an annuity income stream is used to pay life insurance premiums according to a trust instrument; and

wherein said software application has a reporting mechanism which generates policy projections, note reporting, tax reporting, and cash-flow reporting.

Please cancel claim 55 without disclaimer or prejudice to its underlying subject matter.

56. (Currently Amended) The system of claim 52, ~~further comprising:~~
wherein said main computer system is integrated within another computer system maintained by a service entity and which is located in a headquarters environment—central location; and

a plurality of remote terminals, located in field offices outside said ~~headquarters environment—central location~~, and accessible only by secure logons located anywhere an Internet connection can be established.

65. (Currently Amended) A method of combining life insurance and annuities within a computer system, comprising the steps of:

purchasing an annuity and a life insurance policy;
paying premiums for said life insurance policy using income from said annuities;
maintaining inside build-up within said life insurance policy using said computer system-;

coordinating said management company's data with a plurality of insurance companies;

receiving periodic income from each annuity;
periodically determining the amount to be credited from each annuity to each life insurance policy's money market, general, and mortality and expense accounts;
triggering the electronic crediting of said accounts through a computer system which, on a period basis, credits said life insurance policy accounts; and
wherein the beneficiary of said life insurance policy is a charitable institution.

Please cancel claims 66-67 without disclaimer to their underlying subject matters.

86. (Currently Amended) A method of combining life insurance and annuities using a computer system, comprising the steps of:

- purchasing an annuity and a life insurance policy;
- paying premiums for said life insurance policy using income from said annuities;
- establishing a partnership, a trust, and a management company;
- paying fees to a management company to manage said computer system, wherein said computer system is responsible for:
 - sending a balance of cash flow and tax reporting to said partnership;
 - paying proceeds to the members of said partnership based on a partnership agreement; and
 - passing the tax consequences onto a tax-favored taxpayer in accordance with a trust instrument wherein said tax favored taxpayer entities comprise any entity that receives tax favored treatment.

87. (Currently Amended) The method of claim 86, wherein said method ~~computer system~~ is further comprises the steps of:

- coordinating said management company's data with a plurality of insurance companies;
- receiving periodic income from each annuity;
- periodically determining an amount to be credited from each annuity to each life insurance policy's money market, general, and mortality and expense accounts; and
- triggering the electronic crediting of said accounts through a computer system which, on a periodic basis, credits said life insurance policy accounts.